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INFO USICA WASHDC

AMCONSUL IBADAN

AMCONSUL KADUNA

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E.O. 11652: GDS

TAGS: PINT, ECON, MILL, NI

SUBJECT: BIMONTHLY REVIEW OF THE NIGERIAN SCENE

REF: LAGOS 4430

1. SUMMARY. IN APRIL AND MAY NIGERIA STUMBLED THROUGH ITS WORST DOMESTIC POLITICAL CRISIS SINCE THE ASSASSINATION OF MURTALA MUHAMMED IN FEBRUARY OF 1976. ALTHOUGH THE SITUATION HAD COOLED OFF CONSIDERABLY BY THE END OF MAY, THE INEPTNESS OF THE CONSTITUENT ASSEMBLY IN DEALING WITH THE SHARIA ISSUE AND THE OUTBURST OF VIOLENCE WHICH DEVELOPED FROM THE UNIVERSITY FEE ISSUE LED MOST OBSERVERS TO GLOOMY PREDICTIONS REGARDING THE PROSPECTS FOR NIGERIA ONCE IT RETURNS TO CIVILIAN RULE. THOSE EVENTS COMBINED WITH THE ACCELERATION OF INFLATION, A FEELING THAT THE MILITARY GOVERNMENT IS LESS INCLINED TO RULE STRICTLY AND FIRMLY AS ITS TENURE COMES TO AN END, AND THE GREAT
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INCREASE IN POLITICAL AGITATION WHICH IS EXPECTED WHEN POLITICAL PARTIES ARE AGAIN LEGALIZED, ALSO SUGGEST THAT THE REMAINING MONTHS OF TRANSITION TO CIVILIAN RULE WILL PROBABLY BE CONSIDERABLY MORE TURBULENT ONES THAN THE LAST TWO YEARS HAVE BEEN.

2. THE EXTERNAL POLITICAL SCENE WAS MARKED BY THE

FAVORABLE IMPACT OF PRESIDENT CARTER'S VISIT ON BILATERAL RELATIONS, BY CONCERN OVER THE LACK OF FURTHER MOVEMENT TO SETTLE PEACEFULLY THE RHODESIAN AND NAMIBIAN PROBLEMS, BY NIGERIA'S DECISION TO PARTICIPATE IN THE UNITED NATIONS FORCE IN LEBANON (UNIFIL), AND BY THE DILEMMA WHICH THE FMG FACED IN ADOPTING A POLICY TOWARDS THE ATTACK ON KOLWEZI AND THE WESTERN AIRLIFT OPERATION WHICH FOLLOWED SOON THEREAFTER. THE FMG'S UNEASINESS ABOUT THE CUBAN ROLE IN AFRICA INCREASED AS IT MULLED OVER THESE LATTER PROBLEMS. AT THE END OF THE MONTH COMMISSIONER GARBA ANNOUNCED THAT THE FMG WOULD NOT SUPPORT AN INTER-AFRICAN FORCE FOR THE DEFENSE OF SHABA PROVINCE UNLESS IT WAS FORMED UNDER OAU OR UN AUSPICES, A POSITION WHICH COULD LEAD TO SOME DEGREE OF STRAIN ON ITS RELATIONS WITH THE U.S.

3. ON THE ECONOMIC SIDE, INFLATION IS ACCELERATING. THE FMG IS RAPID AND EXTENSIVE STEPS TO OBTAIN FUNDS FROM ABROAD TO MEET ITS DEBTS AND COMMITMENTS IS CAUSING THE INTERNATIONAL FINANCIAL COMMUNITY TO RAISE A COLLECTIVE EYEBROW. CHRONIC ELECTRIC POWER FAILURES ARE BLAMED WITH LOWERING MANUFACTURING OUTPUT AS MUCH AS 50 PERCENT ACROSS THE NATION. CONSTRUCTION IS DRASTICALLY DOWN AND INVESTMENT, ONE PRIME AIM OF THE APRIL 1 BUDGET, HAS NOT SPROUTED. BRIGHT SPOTS HAVE BEEN THE FMG'S DECISION TO LOWER THE TARIFFS ON RICE

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AND TO RESCIND THE BEEF IMPORT PROHIBITION, WITH MORE "LIBERALITY" LIKELY TO COME, AND A NEW RECORD IN APRIL FOR THE TONNAGE HANDLED IN LAGOS PORT. MOREOVER OIL PRODUCTION AND EXPORTS INCREASED IN APRIL AS A RESULT OF TWO PRICE CUTS AND UNOFFICIAL DISCOUNTS TO PRODUCERS. THE DIALOGUE ON BILATERAL ECONOMIC COOPERATION WITH THE USG GOES WELL AND THE PETROLEUM COMMISSIONER WILL SOON BE COMING TO WASHINGTON SEEKING APPROVAL FOR LIQUIFIED NATURAL GAS IMPRTS FROM NIGERIA.

4. IN THE AREA OF MILITARY AFFAIRS, RELATIONSHIPS BETWEEN THE NIGERIAN AIR FORCE AND THE SOVIET MILITARY ASSISTANT PROGRAM CONTINUED TO DETERIORATE. END SUMMARY.

5. INTERNAL POLITICAL SCENE: IN APRIL AND MAY NIGERIA STUMBLED THROUGH ITS WORST DOMESTIC POLITICAL CRISIS SINCE THE ASSASSINATION OF MURTALA MUHAMMED IN FEBRUARY OF 1976. HOWEVER, UNLIKE THE 1976 CRISIS WHICH WAS SHARPLY FOCUSED ON EVENTS IN LAGOS, THE TURMOIL OF APRIL AND MAY WAS MULTI-FACETED PHENOMENON WHICH INVOLVED MANY DIFFERENT ACTORS AND GROUPS IN

CITIES ACROSS THE COUNTRY.

6. THE DRAMA BEGAN ON APRIL 6 IN THE CONSTITUENT ASSEMBLY WHEN SOUTHERN AND MIDDLE BELT MCA S MUSCLED THROUGH AN AMENDMENT REMOVING THE PROVISION FROM THE CONSITTUTION TO SET UP A FEDERAL SHARIA COURT OF APPEAL. IN RESPONSE, ABOUT 90 NORTHERN MCA'S WALKED OUT IN A PUBLIC RELATIONS PIQUE. THE SITUATION DRIFTED AIMLESSLY AND BECAME INCREASINGLY DANGEROUS AS THE NORTHERNERS PAINTED THEMSELVES INTO A CORNER OF POSTURING INTRANSIGENCE WHILE SOUTHERNERS TREATED THE PROBLEM WITH A COMBINATION OF LEVITY AND BEMUSEMENT. FINALLY, IN THE FACE OF RUMORS OF COMMUNAL UNREST IN THE NORTH, THE FMG WAS FORCED TO STEP IN WITH A DRAMATIC APPEAL FOR REASON
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IN A SPEECH BY GENERAL OBASANJO TO THE ASSEMBLY. IN RESPONSE TO OBASANJO'S APPEAL, THE NORTHERNERS RETURNED TO THE ASSEMBLY. THE ISSUE REMAINS UNRESOLVED, HOWEVER, WITH BOTH SIDES ADAMANT. IN OTHER AREAS OF ITS WORK, THE CA MADE GOOD PROGRESS, THUS INCREASING THE PROBABILITY THAT THE ASSEMBLY WOULD FINISH ITS WORK BEFORE JULY.

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7. AS MAY DREW TO A CLOSE, WE BEGAN TO RECEIVE REPORTS THAT THE CONTINUED BACKROOM LOBBYING BY NORTHERN CA MEMBERS ON THE SHARIA ISSUE APPEARED TO BE REACHING A NEW PEAK. THE CONSULATE IN KADUNA REPORTS THAT A MEETING OF NORTHERN CA MEMBERS AND "LEADERS OF THOUGHT" IS SCHEDULED FOR LAGOS JUNE 3 IN AN EFFORT TO GET THE SHARIA ISSUE BACK ON TRACK. GIVEN THE STRONG FEELINGS OF MIDDLE BELT MEMBERS, WE CAN EXPECT ANOTHER HEATED BATTLE IN THE CA OVER SHARIA IN THE NEXT FEW WEEKS IF THE NORTHERNERS DO ATTEMPT TO AMEND THE DRAFT.

8. FOLDING INTO THE CONTINUING SHARIA CRISIS, EXPLOSIVE POLITICAL REACTIONS TO THE FMG'S RECENT ECONOMIC AUSTERITY MEASURES ERUPTED ACROSS THE COUNTRY IN LATE APRIL. THE TROUBLE BEGAN ON UNIVERSITY
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CAMPUSES AS STUDENTS BOYCOTTED CLASSES IN RESPONSE TO INCREASED ROOM AND BOARD FEES. IN THE CONFRONTATION BETWEEN STUDENT IDEOLOGY AND ACTIVISM ON THE ONE HAND AND POLICE INCOMPETENCE AND RIGIDITY ON THE OTHER HAND, VIOLENCE SPREAD TO ALL THIRTEEN UNIVERSITIES IN THE COUNTRY. BY THE TIME THE RIOTING HAD BURNED ITSELF OUT, A NUMBER OF PEOPLE WERE DEAD, ALL THE UNIVERSITIES WERE CLOSED, VARIOUS STUDENT LEADERS WERE IN JAIL, AND A NATIONAL COMMISSION HAD BEEN SET UP TO INVESTIGATE THE PROBLEM.

9. NIGERIAN UNIVERSITIES REOPENED IN LATE MAY, BUT EFFORTS CONTINUED TO MAINTAIN A STUDENT BOYCOTT OF CLASSES. IT WAS CLEAR THAT MANY STUDENTS OPPOSED THE BOYCOTT, BUT VIOLENCE ON CAMPUS BETWEEN PRO- AND ANTI-BOYCOTT STUDENTS RESULTED IN THE CLOSURE OF SOME UNIVERSITIES. IT IS UNCLEAR AT THIS TIME WHAT THE NEXT STEPS WILL BE IN THE STUDENT CRISIS, BUT WITH KEY STUDENT LEADERS STILL IN DETENTION AND SIGNIFICANT DIVISIONS AMONG STUDENTS, THE UNEASY SITUATION MAY CONTINUE UNTIL ALL UNIVERSITIES ARE DISMISSED FOR THE SUMMER.

10. IN ADDITION TO THE PROBLEMS ON CAMPUS, THE STUDENT TURMOIL HAD A CATALYTIC EFFECT ON THE ECONOMICALLY HARDSHIP-STRUCK CITIES, PARTICULARLY IN LAGOS AND IBADAN, GENERATING URBAN DEMONSTRATIONS WHICH DEGENERATED INTO

RIOTING AND, IN LAGOS, LOOTING. AFTER SOME HESITATION, THE FMG MANAGED TO BRING THE SITUATION UNDER CONTROL WITH THE JUDICIOUS USE OF FORCE COUPLED WITH CONCESSIONS SUCH AS REVOCATION OF INCREASED PAYMENTS TO THE NATIONAL PROVIDENT FUND (A SOCIAL SECURITY SYSTEM) AND REDUCTION OF SOME BUDGET AUSTERITY MEASURES. AS
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THE SITUATION CALMED DOWN, THE GOVERNMENT CHARGED THAT IT HAD ALL BEEN A PLOT TO DERAIL THE ORDERLY RETURN TO CIVILIAN RULE IN 1979.

11. ALTHOUGHT THE SHARIA PROBLEM REMAINS AND THE STUDENT DISCONTENT REMAINS HIGH, THE FMG SEEMS TO HAVE STAGGERED SUCCESSFULLY THROUGH THE CRISIS. HOWEVER, THE IMPLICATIONS OF THE EVENTS OF APRIL AND MAY ARE PROFOUND. AS WE REPORTED IN LAGOS 5254, THE WAY THE SHARIA PROBLEM WAS MISHANDLED IN THE CA BODES ILL INDEED FOR THE FUTURE OF CIVILIAN POLITICS IN NIGERIA. DESPITE THE LONG ADVANCE WARNING, CIVILIAN POLITICIANS WERE UNABLE TO KEEP THE SHARIA BOMB FROM EXPLODING, AND THE MILITARY GOVERNMENT WAS FORCED TO STEP IN AND PICK UP THE PIECES. OF GREATER CONCERN PERHAPS, THE URBAN VIOLENCE REVEALED THE DANGEROUSLY HIGH LEVEL OF SOCIAL AND ECONOMIC DISCONTENT WHICH HAS RESULTED FROM THE CHAOTIC AND UNEVEN ECONOMIC DEVELOPMENT NIGERIA HAS BEEN UNDERGOING. THE QUESTION WHICH LOGICALLY MUST BE ASKED IS WHETHER CIVILIAN POLITICIANS IN 1979 WHO HAVE ALREADY DEMONSTRATED THEIR LIMITED COMPETENCE IN THE SHARIA AFFAIR CAN SURVIVE AND GOVERN IN SUCH EXPLOSIVE CONDITIONS. AS A RESULT OF THE SHARIA DEBACLE AND THE TURBULENCE IN THE CITIES AND ON CAMPUSES, THE PUBLIC MOOD ABOUT THE PROSPECTS FOR CIVILIAN RULE HAS TURNED DECIDEDLY GLOOMY.

12. EXTERNAL POLITICAL SCENE: EVENTS ON THE INTERNATIONAL SCENE WERE HEAVILY OVERSHADOWED BY THE DOMESTIC CRISIS. US-NIGERIAN BILATERAL RELATIONS CONTINUED TO PROSPER IN THE WARM AFTERGLOW OF PRESIDENT CARTER'S HIGHLY SUCCESSFUL VISIT TO LAGOS. HOWEVER, SETBACKS TO US POLICY IN SOUTHERN AFRICA, I.E., SWAPO'S REJECTION OF THE CONTACT GROUP'S PROPOSALS FOR NAMIBIAN INDEPENDENCE AND THE REFUSAL OF THE INTERNAL SETTLEMENT PARTNERS IN RHODESIA TO ATTEND AN ALL-
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PARTIES CONFERENCE, RAISED THE POSSIBILITY THAT US-NIGERIAN BILATERAL RELATIONS (WHICH ARE ESSENTIALLY DEPENDENT UPON WHAT HAPPENS IN SOUTHERN AFRICA) WILL TAKE A TURN FOR THE WORSE IN THE MONTHS AHEAD. NEVERTHELESS, NIGERIA CONTINUES TO BE SUPPORTIVE OF OUR EFFORTS IN THE AREA.

13. THE ATTACK ON KOLWEZI BY KATANGAN DISSIDENTS AND THE WESTERN AIRLIFT OPERATION WHICH FOLLOWED SHORTLY THEREAFTER GAVE FMG POLICY-MAKERS A GREAT DEAL TO THINK ABOUT. ALTHOUGH THEY HAVE NO RESPECT FOR MUBUT AND FIND A WESTERN AIRLIFT OPERATION OF THIS NATURE HIGHLY DISTASTEFUL, THEIR OWN CIVIL WAR EXPERIENCE AND THEIR TRADITIONAL POLICY OF SUPPORTING THE TERRITORIAL INTEGRITY OF AFRICAN STATES HAVE PULLED THEM IN THE OPPOSITE DIRECTION. ANOTHER COMPLICATION WAS THEIR REALIZATION THAT ANY PUBLIC BLAST AT WESTERN "INTERVENTION" WOULD APPEAR INCONSISTENT WITH THEIR POAST ATTITUDE TOWARD CUBAN INTERVENTION IN ANGOLA AND ETHIOPIA. IT TOOK SOME TIME FOR THE FMG TO DIGEST THESE INCOMPATIBLE

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INGREDIENTS BUT BY THE END OF THE MONTH IT WAS TAKING THE POSITION BOTH PRIVATELY AND PUBLICLY THAT IT DOES NOT LIKE TO SEE ANY NON-AFRICAN INTERVENTION IN SUCH A SITUATION. FMG POLICY-MAKERS MANIFESTED INCREASING

UNEASINESS ABOUT THE CUBAN ROLE IN AFRICA AS THEY MULLED OVER THE SHAB PROBLEM, AND SOME INDICATIONS OF THIS ALSO APPEARED IN THE PRESS.

14. THERE REMAINED THE PROBLEM OF THE POSITION WHICH NIGERIA SHOULD TAKE REGARDING THE PROPOSED CREATION OF AN INTER-AFRICAN FORCE TO HELP DEFEND SHABA PROVINCE. THE FMG MADE CLEAR THAT IT WOULD NOT APPROVE OF SUCH A FORCE UNLESS IT WERE ORGANIZED UNDER OAU OR UN AUSPICES BUT IT MAY FACE SOME DIFFICULT DECISIONS IF THESE ORGANIZATIONS ARE NOT BROUGHT INTO THE PICTURE. SOME NEGATIVE FALLOUT IN THE US-NIGERIAN RELATIONS COULD RESULT FROM FUTURE DEVELOPMENTS REGARDING THIS INTER-AFRICAN FORCE.

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15. THE USG ANNOUNCED THE CLOSURE OF THE IBADAN CONSULATE IN MAY. REACTIONS IN IBADAN WERE UNIVERSALLY NEGATIVE AND WE HAVE ALSO RECEIVED EXPRESSIONS OF UNHAPPINESS FROM YORUBAS IN LAGOS. WHILE MOST IN IBADAN HAVE BEMOANED THE PROSPECT OF TRAVELING TO LAGOS FOR VISAS, THEY HAVE ALSO, IN LINE WITH THEIR LAGOS COLLEAGUES, EXPRESSED DEEP DISAPPOINTMENT OVER LOSS OF THE U.S. PRESENCE.

16. THE ECONOMIC SCENE: IN THE TWO MONTHS SINCE THE IMPOSITION OF A TIGHT BUDGET AND IMPORT RESTRICTIONS ON APRIL 1, THE ECONOMY HAS TAKEN ON NEW STRESSES AND FOUND KEY OBJECTIVES FRUSTRATED. INVESTMENT IN IMPORT SUBSTITUTION INDUSTRIES REMAINS WARY. INFLATION CONTINUES RAMPANT. BASIC SECTORS, SUCH AS CONSTRUCTION, ARE DEPRESSED. STATE FUNDS ARE SO CONSTRICTED THAT EXISTING PROJECTS CANNOT BE PAID FOR. GOODS ARE SCARCER. POOR INTRA-GOVERNMENT COORDINATION PREVENTS CLEAR INTERPRETATION OF GOVERNMENT POLICIES AND REGULATIONS.

17. THE CATCHWORD IN GOVERNMENT IS FINANCING. BENT ON OBTAINING FUNDS FROM ABROAD TO MEET ITS DEBTS AND COMMITMENTS, THE FMG HAS MOVED DECISIVELY. IT HAS CALLED FOR A NAIRA 5 MILLION CEILING ON FOREIGN DEBT, OSTENSIBLY TO PREVENT EXCESSIVE BORROWING BY THE FUTURE CIVILIAN ADMINISTRATION. IT HAS STATED IT MUST HAVE \$1.2 BILLION IN OFFSHORE FINANCING, WITH 7-8 YEAR PAY-BACK, BY DECEMBER, 1978. IN MAY IT STARTED SELLING \$200 MILLION IN BONDS IN NEW YORK AND LONDON, AND ADDITIONAL YEN AND DM ISSUES ARE EXPECTED SOON. IT IS ALSO SELLING ITS OVERSEAS HOLDINGS IN FOREIGN GOVERNMENT BONDS, TREASURY CERTIFICATES, ETC. STILL

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ANOTHER SOURCE IS APPROXIMATELY \$500 MILLION IN WORLD BANK MONEY OVER THREE YEARS (\$90 MILLION ARE IN THE PIPELINE FOR CY 1978 WITH DISBURSEMENT LINKED TO APPROVAL OF PROJECTS; THE BALANCE SHOULD BE EXPENDED EQUALLY IN CY 79 AND CY 80.) THE INTERNATIONAL FINANCIAL COMMUNITY IS SURPRISED OVER THE SPEED AND SIZE OF THESE MOVES AND IS BEGINNING TO QUESTION THE "REAL HEALTH" OF THE BORROWER. IT APPEARS THAT LARGE LOANS WILL BE DIFFICULT TO COME BY BOTH BECAUSE OF DOUBTS ABOUT REPAYMENT RELIABILITY AND OF LENDING LIMITS OF THE MAIN INDUSTRIAL NATIONS (E.G. GERMANY IS ALREADY HEAVILY COMMITTED IN NIGERIA'S IRON AND STEEL SECTOR, U.S. DEMAND FOR LOANS IS UP AT HOME). CONTRARY TO USUAL PRACTICE, NIGERIA, THE RECIPIENT OF A RECENT INTERNATIONAL LOAN, WILL BE PAYING A HIGHER PREMIUM FOR THIS SECOND ROUND OF BORROWING. ALL OF THE PREVIOUS \$1 BILLION OFF SHORE HAS NOW BEEN DRAW DOWN, THE LAST PORTION OF \$250 MILLION ON MAY 26. PROSPECTS FOR THE FUTURE SEE BIDDERS OBLIGED TO SUPPLY THE FINANCIAL PACKAGE. FOSTER-WHEELER HAS JUST DONE THIS FOR AN \$800 MILLION PETROCHEMICAL COMPLEX, PERSUADING EXIM, COFACE, ECGD ET ALTERA TO PROVIDE OFFERS TO COVER PROJECT COSTS. THE FMG IS NOW REQUIRING BIDDERS IN MOST SECTORS TO SUPPLY FINANCING PLANS AS PART OF THE BID DOCUMENTS.

18. THE BANKING SCENE IS FURTHER TROUBLED BY CONFLICTING VIEWS OF THE CENTRAL BANK AND SMC. THE FORMER BELIEVES IT MUST HONOR ALL LETTERS OF CREDIT (L/C); THE LATTER INSISTS THAT NIGERIA DOESN'T HAVE TO

REIMBURSE FOREIGN BANKS FOR L/CS IF SHIPPED GOODS ARE INADEQUATE OR FRAUDULENT. REPATRIATION OF FUNDS HAS IMPRESSIVELY QUICKENED AND ISSUANCE OF L/CS HAS REVIVED NONESSENTIAL ITEMS LIKE CONSUMER GOODS REQUIRE 100 PERCENT DEPOSIT BEFORE ISSUANCE OF L/CS BUT

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ESSENTIAL COMMODITIES (E.G., RICE, CEMENT, SUGAR, AND MACHINERY FOR APPROVED PROJECTS) NEED NO PRIOR DEPOSIT. WHAT WILL INCREASINGLY HURT, HOWEVER, IS THE EXPANSION OF BANK LENDING LIMITS BEING HELD TO 30 PERCENT. GIVEN INFLATION AND NEEDS OF EXISTING CLIENTS, THERE WILL BE LITTLE MONEY FOR BANKS TO GIVE TO NEW BUSINESS VENTURES.

THIS IS ALREADY HINDERING NEW INVESTMENT.

19. WITH MONEY SUPPLY CONTINUING TO INCREASE AT A RAPID RATE, AND SCARCITIES OF GOODS MOUNTING, INFLATION IS ACCELERATING. CONFUSION OVER THE CORRECT INTERPRETATION OF NEW IMPORT RESTRICTIONS IS RESULTING IN A HEAVY PILE UP OF IMPORT LICENSE REQUESTS AND PERMIT APPLICATIONS. PERSONNEL OF FOREIGN COMPANIES ARE RESISTING COMING HERE BECAUSE THEY CANNOT EVEN ASCERTAIN WHAT PERSONAL EFFECTS THEY CAN BRING IN. PETTY THEFT AND EMBEZZLEMENT IN BUSINESS ARE RAPIDLY INCREASING CAUSING FURTHER PRICE

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HIKES. IMPORTS WILL BE FURTHER CUT BY DECLINING CAPITAL EQUIPMENT PURCHASES. NEW REGULATIONS ALLOW DISTRIBUTORS TO ADD ONLY 25 PERCENT MARK UP TO CIF COST AND LOCAL OVERHEAD IS SO HIGH THAT LARGE INVENTORIES ARE UNECONOMICAL. ONE BRIGHT SPOT IN THE TRADE IMBROGLIO IS THE FMG'S DECISION TO LOWER THE APRIL 1 IMPOSED TARIFFS ON RICE AND RESCIND THE BEEF IMPORT PROHIBITION. ODDS ARE THAT MORE "LIBERALITY" IS COMING. ALSO ENCOURAGING IS THAT LAGOS PORT IN APRIL SET A RECORD FOR HANDLING TONNAGE (704,531 METRIC TONS).

20. CRUCIAL TO THE TREND OF INFLATION IS STUMBLING PRODUCTION. CONSTRUCTION IS DRASTICALLY DOWN. VARIOUS

COMPANIES THAT SIGNED CONTRACTS ARE NO LONGER BEING PAID FOR WORK DONE AND IN SOME CASES ARE THREATENED BY THE SAME NON-PAYING STATES WITH CONFISCATION OF EQUIPMENT BECAUSE OF "LACK OF PERFORMANCE." OF 63 U.S. CONSTRUCTION FIRMS IN NIGERIA KNOWN TO THE EMBASSY, 28 HAVE MADE DEFINITE PLANS TO LEAVE IN THE PAST FOUR
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MONTHS. CHRONIC ELECTRIC POWER FAILURES ARE BLAMED FOR LOWERING MANUFACTURING OUTPUT AS MUCH AS 50 PERCENT ACROSS THE NATION. INVESTMENT, ONE PRIME AID OF THE APRIL 1 BUDGET, HAS NOT SPROUTED. THE NEXT SIX MONTHS LOOM AS A TIME OF TENSION AS FOREIGN COMPANIES MAKE THE FINAL ADJUSTMENTS TO COMPLY WITH THE INDIGENIZATION DECREE'S DEADLINE OF DECEMBER 1978. INDIVIDUAL COMPANY VS. GOVERNMENT BATTLES ARE ALREADY SHAPING OVER SHARE EVALUATION.

21. BUOYED BY TWO PRICE CUTS AND UNOFFICIAL DISCOUNTS TO PRODUCERS, OIL PRODUCTION SWUNG FROM 1.52 MILLION BARRELS PER DAY IN MARCH TO 1.69 MILLION IN APRIL. CORRESPONDING FIGURES FOR EXPORTS WERE 1.35 AND 1.73 MILLION. ESTIMATES FOR THE COMING MONTHS ARE THAT THESE NEW HIGHER LEVELS WILL HOLD AND NEEDED REVENUES WILL STAY UP. CALLING FOR CLOSE SCRUTING IS A NEW FMG INITIATIVE TO MOVE THE LNG PROGRAM FORWARD. WITH THE PETROLEUM COMMISSIONER REQUESTING TO MEET SECRETARY SCHLESINGER IN WASHINGTON ON JUNE 30, WE NOW HAVE A SITUATION FOR THE FIRST TIME IN OIL WHERE THE NIGERIANS BADLY WANT SOMETHING FROM US, SPECIFICALLY A USG DETERMINATION OF ITS GAS POLICY AND APPROVAL FOR LNG IMPORTS FROM NIGERIA. ANOTHER NEW ELEMENT ON THE OIL SCENE IS THE CONCEPT OF BARTERING PETROLEUM FOR FOREIGN GOODS AND SERVICES. A LEADING GERMAN CONSTRUCTION COMPANY (BERGER) AND A STEEL PRODUCTS SUPPLIER (KRUPP) HAVE BEEN ASKED TO TAKE PAYMENT IN CRUDE OIL AND AMERICA'S RAYMOND INTERNATIONAL CORP. IS CONSIDERING A SIMILAR TRANSACTION FOR PORT CONSTRUCTION. OTHER COUNTRIES' UNHAPPY EXPERIENCE IN OBTAINING MUTUALLY ACCEPTABLE TERMS IN BARTER DEALS, HOWEVER, MAY CHILL THIS APPROACH. THE NNPC ALREADY APPEARS COOL TO THE IDEA.
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22. BILATERAL ECONOMIC COOPERATION WITH THE U.S. CONTINUES TO GO WELL. AS A RESULT OF THE JOINT ECONOMIC

TALKS IN WASHINGTON APRIL 23-28 AND CONSEQUENT FOLLOW-UP IN LAGOS, SPECIFIC ADVANCES HAVE BEEN MADE ON SUCH SUBJECTS AS MULTI-ENTRY VISAS, OPIC, RESIDENCE APPROVALS FOR 12 MONTHS MARKET EXPLORATION, ETC. THE BILATERAL AIR AGREEMENT SIGNED ON APRIL 27 HAS BEEN IMPLEMENTED WITH BIWEEKLY FLIGHTS OF NIGERIA AIRWAYS TO THE U.S. AND PAN AM HAS REQUESTED A FOURTH FREQUENCY HERE. POTENTIAL RDP PROJECTS ARE EXPANDING WITH SEVERAL TECHNICAL TEAMS EXPECTED HERE SOON. AN EIGHT-PERSON AGRICULTURAL MISSION TO PROVE NIGERIA'S AGRICULTURAL MALAISE IS SCHEDULED IN OCTOBER AND THE CORPS OF ENGINEERS RIVERS DEVELOPMENT PROJECT HAS REVIVED. THE PACE OF COOPERATION PROMISES TO QUICKEN, NOT SLACKEN.

23. THE MILITARY SCENE: THE MOST SIGNIFICANT TREND IN THE NIGERIAN MILITARY DURING APRIL AND MAY WAS THE CONTINUED DETERIORATION OF THE RELATIONSHIP BETWEEN THE SOVIET MILITARY ASSISTANCE PROGRAM (MIG INSTRUCTOR PILOTS/TECHNICIANS) AND THE NAF. AS A RESULT OF THE MARCH 1 ACCIDENT IN KANO (MIG-21/F. 28) THE CHIEF OF AIR STAFF HAS GROUNDED ALL HIS FIGHTERS, THE SOVIETS ARE IN AN ACCELERATED PROCESS OF DEPARTING, AND THE FAF FIGHTER CAPABILITY IS ZERO.

24. CHALLENGED BY THE NEED FOR A QUICK RESPONSE TO THE NIGERIAN OFFER OF A BATTALION FOR UNIFIL, THE NAF ORGANIZED AN AIRLIFT OF MEN AND EQUIPMENT TO LEBANON. SINCE THE NAF COULD ONLY CREW 3 OF ITS 6 C-130S, IT ARRANGED A CHARTER WITH A WEST GERMAN COMPANY (NAME UNKNOWN). THIS COMPANY AND THE NAF SAFELY TRANSPORTED 670 PLUS MEN AND THEIR EQUIPMENT TO LEBANON. ALTHOUGH A UN AIRLIFT WAS AVAILABLE FOR THIS DUTY, NATIONAL PRIDE

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CAUSED THE FMG TO UNDERTAKE THE AIRLIFT, AND THE EXPENSE THEREOF, ITSELF. TO NIGERIA'S CREDIT, HOWEVER, IT WAS DONE WELL AND EXPEDITIOUSLY. THIS ACHIEVEMENT DEMONSTRATED THE CONTRASTING FORTUNES OF THE TWO SIDES OF THE NAF. THE AIR TRANSPORT GROUP (FLYING, INTER ALIA, US C-130 AIRCRAFT) IS IN THE ASCENDANCY, AND THE FIGHTER SIDE, AS EMBODIED BY THE FLYING TRAINING GROUP AND THE AIR DEFENSE WING, IS ON THE GROUND. MOREOVER, THIS LATTER SITUATION IS LIKELY TO REMAIN UNTIL SOME ACCOMMODATION IS REACHED WITH THE SOVIETS, ESPECIALLY OVER INSTRUCTOR LANGUAGE CAPABILITY; A NEW TEAM OF INSTRUCTORS/TECHNICIANS IS HIRED; THE NAF INSTRUCTORS ARE UPGRADED IN SUFFICIENT NUMBERS TO CARRY THE LOAD; OR A NEW FIGHTER AIRCRAFT AND SUPPORT PACKAGE IS PURCHASED FROM ANOTHER COUNTRY.

25. THE NIGERIAN ARMY RECENTLY LAUNCHED A CAMPAIGN THROUGHOUT THE ARMY AIMED AT RAISING THE LEVEL OF PHYSICAL FITNESS. INCREASED EMPHASIS ON PHYSICAL TRAINING FOLLOWED DIRECTLY ON THE HEELS OF COAS DANJUMA'S OBSERVATION OF VIGOROUS PHYSICAL TRAINING BY AIRBORNE TROOPS AT FORT BRAGG, NC. THE REGULATION EXEMPTING OFFICERS AND SOLDIERS 35 YEARS AND OLDER FROM REGULAR PHYSICAL TRAINING HAS BEEN ABROGATED. THIS IS ANOTHER EFFORT TO MOVE THE SOLDIERS TOWARDS A NORMAL MILITARY TRAINING ROUTINE.
WYMAN

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